



J. Kumar Infraprojects Ltd.

“J Kumar Infraprojects Limited Q3FY15 Results
Conference Call”

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J. Kumar Infraprojects Ltd.

ANANDRATHI



MANAGEMENT: **MR. JAGDISH KUMAR GUPTA – EXECUTIVE CHAIRMAN, J
KUMAR INFRAPROJECTS LIMITED**
**MR. NALIN GUPTA – MANAGING DIRECTOR, J KUMAR
INFRAPROJECTS LIMITED**
**MR. ARVIND GUPTA – CHIEF FINANCIAL OFFICER, J
KUMAR INFRAPROJECTS LIMITED**

MODERATOR: **MR. MANISH VALECHA – ANALYST - CEMENT, &
CONSTRUCTION - ANAND RATHI SECURITIES**



Moderator:

Ladies and Gentlemen, Good Day and Welcome to the J Kumar Infraprojects Q3FY15 Results Conference Call hosted by Anand Rathi Share & Stock Brokers. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Manish Valecha of Anand Rathi. Thank you. And over to you, sir.

Manish Valecha:

Good Afternoon, Ladies and Gentlemen. Welcome you all to the 3QFY15 Results Conference Call of J Kumar Infraprojects Limited. We have with us from the senior management of J Kumar, Mr. Jagdish Kumar Gupta – Executive Chairman; Mr. Nalin Gupta – Managing Director, and Mr. Arvind Gupta – CFO. Without wasting much time, like to now hand over the call to Mr. Nalin Gupta for his opening remarks. Over to you, sir.

Nalin Gupta:

Firstly, I would like to welcome everybody. Very Good Afternoon to everyone. This is Nalin Gupta; I am the Managing Director of J Kumar Infra. So I would like to thank everyone for this con call. I will put a small brief about the highlights of this quarter and the 9-month ended as on 31st December wherein to start with, for the quarter-ended 31st December 2014, the company has made a top line of Rs.303 crores with a PAT margin of Rs.23 crores wherein the growth in terms of the top line has been 11.25% as compared to the Q3 for FY14, and the increase in the PAT margin has been 21.27% as compared to FY14 for Q3 and the 9-month ended report wherein the company has grown from Rs.732 crores that we had in the 9-month result for FY14 to Rs.940 crores as of FY15, which is an increase by 28.43%. And the EBITDA margin has also increased by 36.47% that is from Rs.139 crores to Rs.190 crores. The PAT margin has shot up to Rs.67 crores as against Rs.52 crores which was in FY14, again making an increase of 27.09% in the PAT margin.

Coming to the "Order Book" position, as of 31st December 2014 stands at Rs.4,728 crores including L1 as compared to Rs.4,200 crores as of 30th September 2014, which basically adds order book of Rs.825 crores for the Q3-ended. So those are some of the highlights.

Some of the major projects that the company has bagged in this quarter, I would just mention a couple of them: It is a matter of pride for us that J Kumar has bagged the Ahmedabad Metro First Package which has been awarded by MEGA, and it is



Rs.278 crores project, which J Kumar has bagged on its standalone name, and the LOI has already been issued on 3rd February and we have started mobilization for that job. We have also bagged a work order for Rs.75 crores for Precast Arch Bridges at Navi Mumbai for CIDCO, where we are doing the New Bombay Metro as well, so taking the total to Rs.353 crores for the work orders received in this quarter. With regards to L1, we have an L1 position of close to Rs.1,530 crores wherein we have recently bagged five new contracts from MCGM costing Rs.72 crores, Rs.35 crores, Rs.36 crores, Rs.84 crores, and Rs.103 crores. Also, the company has bagged 3 Flyover jobs; one of Rs.75 crores, which is J Kumar share, actually it is Rs.221 crores, but in which share of joint venture the share of J Kumar would be Rs.75 crores. We have also bagged the order which is for Thane Municipal Corporation and the next project that J Kumar has bagged is of MMRDA which is a combination of 3 Flyovers costing Rs.156 crores, and that is again in standalone J Kumar's name, and, of course, we have bagged one more UTWT job which is an Ultra Thin White Concrete Layer which is to be laid as a finishing coat for road work and that is costing Rs.215 crores, so that is how the total L1 position at Rs.1529 crores stand, and Rs.350 crores which is for the work order that we have received. So that is all from my side to start with.

Manish Valecha: We can start with the question-and-answer, moderator.

Moderator: Thank you very much, Sir. Ladies and Gentlemen, we will now begin the question-and-answer session. The first question is from the line of Kishan Gupta from CD Equisearch. Please go ahead.

Kishan Gupta: Just want to understand how come execution was so poor despite it being relatively the weather being dry this quarter?

Nalin Gupta: Kishan, we are building right now in the areas like Delhi, where the project is in full swing, Delhi and Rajasthan, if you must be aware of, this time in this quarter we had a substantial rainfall even till January end, basically which suffered the progress of the work from Delhi Metro Project, where still around Rs.1000 crores odd job is in progress in full swing, so it was not a dry season truly speaking, but of course the work is in full swing and even there is one more important reason I would mention about Delhi Metro, because that is a substantial shareholding of the order book wherein there are tunnel boring machines, which forms around 50% to 55% of the contract value and we get payment only when the TBM starts, so till the Q2 and Q3 partly there was a very small portion of Q3, in September we have four tunnel boring machines that we have purchased for Delhi Metro, and all the four tunnel boring machines had come to a standstill, because they had completed the drives which we



had taken up, so we had to remove these machines and put it on to the next location from where it again start generating the revenue, if you see in terms of top line, it shows stableness as compared to Q2, we had similar top line of Rs.300 crores in Q2 as well, and there are some new projects which has been taken up right now, so that is how you are seeing a slight lower top line this quarter.

Kishan Gupta: How was the execution in Maharashtra?

Nalin Gupta: In Maharashtra it is going on well, there are some new projects that we have taken up like I would like to mention about Kalwa Creek Bridge, that we have bagged again, which is a Rs.200 crores approx job and some other jobs as well which we are executing, so in certain components like the Kalwa Bridge, we have already got the work order and the time lapsed is around close to six months, but there are various clearances which are required, like CRZ from the Ministry of Environment, Forest, Coastal Regulation Zone, so that procedure is online, and again there are certain budgets which has been provisioned in the next financial year. So immediately in April, we will be making a billing close to Rs.15 crores only from that project, which is close to around 10% of the project cost. So the work has been done, but the payment would be paid to us in the month of April.

Kishan Gupta: What is the status of the Mumbai Metro Projects?

Nalin Gupta: Mumbai Metro projects are well in line, and today also there is a second prebid meeting, right now it is going on, where my brother and the second M.D. of J Kumar, Kamal Gupta is also there still sitting in MMRDA, and today we have the prebid meeting and I think within a month's time the financial bid would be submitted, already the calculations and bid submission processes are ongoing, and my entire team is on the job.

Kishan Gupta: So what size of orders you are looking there in terms of bidding?

Nalin Gupta: The total order book is close to Rs.18,000 crores and out of which we are expecting at least one project which would be anywhere between Rs.2000 to 3000 crores.

Kishan Gupta: So you would be bidding for just Rs.2000 to 3000 crores worth of projects or...?

Nalin Gupta: We would be bidding around 5 projects out of these 7 projects at least, so out of that some people can bid for 2 jobs, some can bid for all, only 2 people in the entire 9 contractors who have been prequalified can bid for all the contracts, among which, J Kumar is one, and Tata Projects in a consortium is the second one. So J Kumar is among the two contractors who can bid all packages, and we can get maximum 2,



others can get only 1. So I would say as an average, we should be able to bag 1 contract which will be having a size of Rs.2000 to 3000 crores.

Kishan Gupta:

So basically for Tata Projects what qualifies you people for that and not others?

Nalin Gupta:

Basically, it is the size of the company and the experience that the company has, which entitles you... like it is a cumulative criteria that they had mentioned like now this is a Rs.3000 crores job, so you should have done suppose 70% similar job, usually criteria is, the contractor should have executed a work of the similar type to the tune of 70% of the contract value, so in this case like if it is Rs.3000 crores, 70% would be Rs.2000 crores, so a single project of Rs.2000 crores should have been executed by the bidder to qualify for a package. Now if I want to qualify for two packages, I need to have two works of Rs.2000 crores to entitle me to qualify for two bids. Similarly, I should have financial capability, my bank position, my financial position, my net worth, my set of machinery, tunnel boring machines, and stuff like that to qualify for works more than one. So they would check in aggregate what is the qualification for two contracts that you meet. So that was the condition and J Kumar having a joint venture with China Railway, the size of the company is almost like 1.5x the size of L&T, so that company, we have an exclusivity with them for India and we have submitted the prequalification with them, and that company is quite capable of doing such jobs, as a pan world basis, and J Kumar could easily qualify in aggregate for two packages due to that.

Moderator:

Thank you. The next question from the line of Nitin Arora from Emkay Global. Please go ahead.

Nitin Arora:

Just wanted to ask you that tax rate has been lower. So is it because in the first half we provided for a higher tax, that is why it is, because for the nine months it is still 34%, so is it because of that incrementally tax rate will be lower, it seems like that we have provided earlier?

Nalin Gupta:

We had made for higher provision because of which it is appearing like that.

Nitin Arora:

So for the whole year we will be closing the tax rate at 33-34% only?

Nalin Gupta:

Yes, that is the full rate tax that the company is into.

Nitin Arora:

Have you taken this order which you have announced on the exchanges in the order intake for this Q3FY15, right?

Nalin Gupta:

Yes, Rs.350 crores that we have declared is for the Q3.



Nitin Arora: In terms of Ahmedabad Metro Package, which we have won, I think there are about 13 packages which were ordered, correct me if I am wrong, and what would be the incremental size that would we get awarded apart from this?

Nalin Gupta: There are all together 17 plus 14, close to 31 Kms, which is the size of the project which is to be executed now, the revised alignment that they have finalized as per the DPR, out of which this is the first 6 Kms stretch that J Kumar has bagged, another 4 elevated set of projects which are still going to come in, there is 1 underground stretch of 6 Kms which is going to come in and there are around close to 25-odd elevated and underground stations, which are going to come up. So I should stay still a project size to the tune of around Rs.5000 to Rs.6000 crores projects is what should be coming up from that area.

Nitin Arora: And we have bid for every package there?

Nalin Gupta: This time what they have done, MEGA, they are like short listing, like DMRC for individual projects, and they are coming up one-by-one, because of the financial approvals and stuff like that, they are going step-by-step, one contract they have already called, and within a short span of two to three months, there will be another 3 packages I should say of 6 stations, and another corridor of around 6 Kms elevated which will be floated in the next two to three months time.

Nitin Arora: But we will be applying for all the packages once they call it?

Nalin Gupta: Surely. I would like to just mention one thing, Nitin, J Kumar is one of the few companies in entire India, who are executing everything for the Metro, let it be Elevated Metro what you can see in Mumbai, that is like a Flyover, we are doing Elevated Stations, we are doing underground stations, we are doing Metro by tunneling method, by cut and cover, by ramp, we are doing the Depot job, so when you talk of Metro, anything related to civil, J Kumar is doing it, and we have bagged all these orders. So, we stand a very good chance for all these packages, let it be Mumbai, let be Nagpur, Pune, Ahmedabad, or Delhi.

Nitin Arora: Sir, in terms of the Delhi Metro Project, what is the timeline when the TBM work will get over and how much amount of work is still left on this project?

Nalin Gupta: Time line is around 2 years on an average you can say that we are expecting, like there were 4 packages, out of which 2 packages, it is on the verge of handing over, say within 2 months or 3 months, we will be handing over 2 packages, that is a 5.5 Kms Elevated Corridor including 3 Elevated Stations that we are going to hand it over to the department in next 2 or 3 months time. And with regards to the 2



Underground Packages, which J Kumar is executing, the work to the tune of around Rs.1100 crores, is what is still pending at Delhi Metro.

Nitin Arora:

Sir, we will be freeing up our TBMs by next year or say by FY16 end?

Nalin Gupta:

All the four TBMs would be free by December end 2015. That would be an ideal time where the Mumbai Metro tenders would be concluded, and these TBMs which are in Delhi right now can be shifted for Mumbai Metro Projects.

Nitin Arora:

Sir, in terms of the revenue part now, we have done about in nine months revenue of close to Rs.925 crores, sir, just wanted to get a sense that what sort of revenue we are looking to close in FY15 because you said that there has been weather issues that happened plus some operational part, Q4 would be a big jump and as well as for the FY16 if you can sort of guide some of the revenue part to us?

Nalin Gupta:

For 2015, Nitin, we are expecting top line close to anywhere between Rs.1350 to Rs.1400 crores and if you see for the 9-month ended results for FY14, we were at a top line of Rs.732 crores, and we ended it up with Rs.1,186 crores, so that was close to Rs.450 crores last year, so similarly this year also, we are already at Rs.940 crores, so if we do a top line close to Rs.450 crores also we should be nearby around Rs.1400 crores this year. And for 2016, we expect top line close to around Rs.1600 crores or so.

Nitin Arora:

Two consecutive quarters very strong margins, any particular reason you wanted to highlight?

Nalin Gupta:

The orders have already been bagged right from the bagging time, with these margins that the company has quoted, it is with a PAT margin close to 7%, so you will find a similar sort of result for the coming year ahead also, because all the projects are with cost plus escalation system, so wherein every increase and decrease of the project is taken care of. So the margins are well secured. And as J Kumar has been operating with its own fleet of machineries and the geographically concentrated style of working for J Kumar, we are able to maintain these margins quite confidently.

Nitin Arora:

On DMRC Phase-IV, any tenders being invited or any update on that front?

Nalin Gupta:

DMRC has already started floating for tenders for Noida Metro, which they have taken as a separate project, and already altogether 4 tenders have been floated by Delhi Metro, which is, each of close to Rs.400 crores to Rs.500 crores taking the new orders that they have floated to Rs.2,000 crores and the bids are expected to be submitted by end of this month or early next month. And with regards to Phase-4, the



DPI has already been finalized, and now all the financial closures with various JICA, ADBs, and with the central government is on, so just last week only when we started our fifth tunnel boring machine at Narayana, the M.D. had inaugurated the ceremony, during which he had mentioned his willingness to float the Phase-4 contracts which is for Delhi and not for the NCR areas within a year's time or so.

Moderator: The next question from the line of from Hiren Dasani from Goldman Sachs Asset Management Company. Please go ahead.

Hiren Dasani: Earlier discussion which happened about Rs.18,000 crores worth orders and two of you being Tata Projects, that was related to Mumbai Metro, right, if I am not wrong?

Nalin Gupta: That is right.

Hiren Dasani: And you are saying that each piece of the work will be roughly what Rs.3,000 crores?

Nalin Gupta: The packages are ranging right from Rs.1,500 to Rs.3,000 crores depending on the location, but on an average you can say the projects are costing Rs.2,000 to Rs.2500 crores.

Hiren Dasani: You are saying that we should be hopeful of getting 2 of them?

Nalin Gupta: We are entitled for 2 I said, so we may bag at least 1 or maybe 2. So that is what I was trying to mention here.

Hiren Dasani: And this is for Phase-II and Phase-III, right?

Nalin Gupta: This is Phase-3, Phase-1 has already been completed, which was Versova to Ghatkopar, and Andheri-Versova-Ghatkopar Metro line which is called as Phase-1 or Line-1, and ...

Hiren Dasani: This is for Phase-3 or combined Phase-2?

Nalin Gupta: No, this is only Phase-3, and Phase-2, which was again awarded to Reliance Infra on a PPP model, similar to what is going on for Phase-1, the Phase-2 contract has already been terminated because Reliance has also backed out because of some land issues which was there, so even that contract is now converted from PPT to cash contract, and just immediately after these contracts are put on track within a year's time or so, we should be seeing the Line-2 and Line-4 also coming up, for which already the CM already has already given a go ahead and everything is in the



finalization stage. So within a year's time we should be seeing Phase-2 and Phase-4 also coming up.

Hiren Dasani: Just to understand the size, Phase-3 is Rs.18,000 crores, Phase-2 which was awarded to Reliance is ...?

Nalin Gupta: Another Rs.20,000 crores approximately, and Phase-4 is again Rs.25,000 crores to 30,000 crores so all together you should be seeing jobs close to Rs.60,000 to Rs.70,000 crores only from Mumbai Metro.

Hiren Dasani: On Phase-3, how many are technically qualified or is that still under the process?

Nalin Gupta: 7 contracts, and 9 bidders have been prequalified but out of the 9, 2 bidders are qualified to bid only one-one packages, and that too of the lower values, like 1500 or 2000 something, and the other 7 bidders are entitled to bid all the packages, but can get only 1, if they are even L1 in 4, they will get only 1 what I want to say.

Hiren Dasani: Then how can we be entitled for 2?

Nalin Gupta: Because we have an eligibility criteria because of our JV partner that we are entitled for 2 bids, because what they wanted, as I had explained earlier to Kishan, it is like whenever they call for multiple bids, at the same time in a single notice, they mention that if a bidder is L1 in more than one package, he needs to qualify in aggregate qualifying criteria to be entitled for more than 1 bid, even if you are L1 in more than 1.

Hiren Dasani: So technical qualification is already done?

Nalin Gupta: Technical and financial put together, which was the qualifying criteria has already been concluded, and as I mentioned, 9 bidders have been qualified, among which we are one of the strongest contenders.

Hiren Dasani: By what time you have to put in the financial bid?

Nalin Gupta: In a month's time or so, we should be expecting the financial bid to be concluded.

Hiren Dasani: And then work will start in another 3-4 months?

Nalin Gupta: I should mention that because we are at the fag end of it, and we should be submitting the bids somewhere in mid of March or so, so they would take around 1-2 months for issuing the LOA for all the formalities, because they will open the bids,



they will analyze the bids whether they are with some deviations or specific conditions, because conditional bids are there, we have some deviation clauses in case you want to bid with some deviations. So all this needs to be analyzed and then the L1 will have to be concluded, and where it is the most economical bid awarding system for Mumbai Metro, accordingly, the bids will be awarded, and subsequently we have one-month time period to submit our Performance Guarantee and all these documents which would again take one-month, so two months after 15th March if you talk off, it would be 15th of May, when we will be officially on board. So once that is there, there would be monsoon on the head, so the work on the job site for practical purposes would be starting from say 1st of October, because we need to do a lot of back office jobs like designing, design submissions, approvals, mobilizing to the job site, getting the machineries and lining up everything, and the soil investigation, barricading, survey jobs. So all these take a substantial time, which would be, actual digging would start on 1st October we can say that.

Hiren Dasani: This is being driven by MMRDA, right?

Nalin Gupta: Yes, MMRDA is the funding body and the controlling body, but they have formed a separate division as Mumbai Metro, so for this Mumbai Metro Corporation that they have made, which will be governing this, and again Ashwini Bhide, who was the joint metropolitan commissioner in MMRDA, who has been transferred to education is now the M.D. of Mumbai Metro now.

Hiren Dasani: Do you see any kind of faster movement after this new government has taken over on all these issues?

Nalin Gupta: There should be wonderful growth what we feel, I will just give you a small example with that, because everyone feels that Modi would come and he would do something really, like a magic stick, but things take their course of time to implement, but we can see that change and the effect in Ahmedabad, because Ahmedabad Metro, when they had come up, this project of MEGA had been brought up around one and a half to two years back, and almost one, one and a half years back it was fullfledgedly the areas were barricaded and the prequalification process had started, we submit the PQ documents, but nothing was heard and it was going in a very merry-go-round style, but after this new government wherein the chairmanship has been taken, the M.D. is now I.P. Gautam, who was the ex-municipal commissioner, and they are all controlled by BJP very strongly in Gujarat you know very well, we submitted the bid in November, the prequalification document, we were prequalified, the RFPs were issued, we submitted the price bid, and it was awarded on 3rd February, the bid was opened just on the fag end of, I should say 20th of January, and we got the Letter of



Acceptance on 3rd of February, so that is just within 15 days span of time, so everything is on very fast track, 3rd February we were issued the LOA and just after four days, I had been called for a presentation for kickoff meeting, and we had it, and already all the processes on a very-very fast track. So a similar sort of atmosphere we are seeing even in Mumbai. I am very hopeful that you will see a very good positive change in the working style in the economy.

Moderator: Thank you. The next question from the line of from Charanjit Singh from Axis. Please go ahead.

Charanjit Singh: If you can please help us understand, how has been the working capital movement in the last quarter specifically related to Delhi Metro, have you seen any increase in the inventory levels and in the receivables and all?

Nalin Gupta: No, with respect to the working capital requirement in Delhi Metro, there has not been any substantial change, because all the investments with regards to CAPEX or with regards to inventories has already been done, so more or less now it is a continuous cycle of inflow and outflow. So there is no major shift in the working capital requirement there.

Charanjit Singh: What would be the inventory number and receivables as of December 2014?

Nalin Gupta: The inventory as of December end is Rs.554 crores and receivables is Rs.170 crores.

Charanjit Singh: Sir, in terms of Delhi Metro, has there been any delay in the execution like you were telling there have been some stretches, there were some things were getting pushed out. So what is the execution timeframe we have in terms of when we expect to complete it by December 2016 or a little later, if you can just give understanding on that?

Nalin Gupta: The project we are expecting to be completed by December 2016, and the schedule date of completion was 42 months and now we are seeing a shift of 8 months or so, you can say more or less, so it is not a major shift, and of course there was a delay in getting the land, but now the full land has been handed over to us because they are also supposed to hand over the land to us in piecemeal, but yes, it affected the progress of the work to a certain extent, but by putting some additional resources, we are trying to cover it up, and there would be a delay of around 8 months or so, for which already the extensions and these things have been approved by DMRC.

Charanjit Singh: Do you see any cost escalation which may not be pass-through coming up in the DMRC Project or how is the costing going to work out because of this delay?



Nalin Gupta: The tender being fully pass-through, most of the factors are taken care of. So I really do not see any losses or any drop in the margins because of that factor.

Charanjit Singh: Generally, if you have to compare the margins in like MEGA we are doing Surface Project whereas it is an Underground, how do the margins compare in the different kind of Metro Projects? And our capabilities stronger in which segment based on the technical collaboration with China Rail Third?

Nalin Gupta: I would like to mention that Metro jobs have better margins as compared to other typical Road Works because these Metro jobs are highly technical jobs, and the qualification criterias laid down by the government is pretty high, like for the Ahmedabad Metro, there was around 13 bidders who purchased the bid and 8 bidders who submitted the financial bids, but the bids were opened only for 8 bidders, because of the various technical conditions, they are very particular about the qualifying criterias, the submittals and everything, so in that cases 4 people were disqualified and the bids of 4 were opened wherein J Kumar bagged the order. I would say comparatively because in Metro jobs, being a very typical job, a very fast track job, and with a lot of safety and quality the job has to be done, so the bidders who are bidding for this job were all large cap companies. So the margin levels and the understanding levels of all the bidders is on par, so it has been quoted in a more professional manner as compared to the small level jobs that you do. So the costings are well taken into consideration and then quoted. So we expect that this margin should be better as compared to the other areas.

Charanjit Singh: But sir how much will be the differential versus the general Road Project versus the Metro Project?

Nalin Gupta: It is not very easy to classify this overall, but, yes, there are like around 3% margin, we should say is more or less better as compared to the other projects.

Charanjit Singh: And if you can help me understand the execution on the Hospital project in Alwar, Rajasthan, how is that going on, what proportion we have completed and what is the completion schedule now looking at?

Nalin Gupta: We expect to complete this project, there is a shift in the cost also of the project, which has been enhanced by around Rs.70 to 80 crores, and the project cost is Rs.576 crores, out of which around Rs.100 crores is balance, so almost like 70% to 80% of the work is already completed. So within a year's time we should be able to hand over that project.



Charanjit Singh: So the cost enhancement which has happened in the Hospital project, that is because of some delay or what has been the reason?

Nalin Gupta: Sorry, I did not explain to you properly, there has been shift in the project cost, means, the cost has been escalated, the original cost of the project was like close to Rs.500 crores, and now the project cost is Rs.576 crores, they have increased the scope of work, I should not have told you cost, the project cost has gone up by the department side due to increase in scope of work basically.

Charanjit Singh: We are moving more towards the Metro segment and we are also expanding into other geographies like Gujarat and Delhi we are already executing. So do you see the trend for the working capital cycle changing from what we have been reporting historically to increasing working capital going forward?

Nalin Gupta: If you look at the three years tenure of J Kumar, J Kumar has already been in Gujarat, Rajasthan, and Delhi for the past three years, so already the type of heat or any type of effect that you could have seen has already been history now. So, there has not been any shift in like the working capital requirements or stuff like that, wherein already all the establishment cost, and CAPEX, and everything has already been taken care of, and we are already for Delhi Metro out of the Rs.1800 crores close to 40% to 50% of the job is already executed, similar to Rajasthan, we have already executed work close to 70% to 75%, again Ahmedabad, we have completed the existing projects, ongoing commitment, now it is the new commitment close to Rs.300 crores that we are executing now. So these areas we have already got the flavor of it, and being established fully, it is not going to have any effect on our working capital.

Moderator: Thank you. The next question from the line of Vibhor Singhal from Phillip Capital, please go ahead.

Vibhor Singhal: Sir, my question is on the status of the Metro Projects in let us say other cities like Nagpur, Kochi, Jaipur, so what is the kind of traction that we are seeing there, and can we expect some orders from those cities also in the coming months?

Nalin Gupta: Here I would like mention that J Kumar is quite selective in terms of operating its business, we prefer being in concentrated geographical area as far as possible which does not hit my top line as well as the bottom line. So basically we do not intend to move into different states or cities until our requirement is not taken care, like Kochi Projects have already been called for, I would say Chennai, Bengaluru, but we are not bidding for these projects, because as there is substantial amount of work, as I



had mentioned some time back during this con call that Mumbai Metro itself, the projects would be costing around Rs.60,000 crores, and Ahmedabad which is again, we are already operating, which will be having around Rs.5000 to 6000 crores jobs only from the Metro segment, I am just mentioning about the Metro areas, similarly, the Delhi area where we are already operational has already called for Rs.2000 crores jobs, and Phase-4 would be there within a year's time which will be before we complete the ongoing commitments, of course Nagpur we will be going in for, because we are already well settled and established in Maharashtra. So it is a management decision to stick within the geographical areas where we are already operating, like Maharashtra, Gujarat, Rajasthan, and Delhi. We do not want to just make a showcase and say that we are pan India by operating into all the states. We would be interested in increasing our top line by maintaining the bottom line which is more important for us, we do not care if the top line does not increase very substantially, but what is important for me is to maintain my bottom line. So that is why we are not so keen in opening our operations into different cities for no reason, if we are having substantial opportunities in the local areas itself.

Vibhor Singhal:

So Jaipur would be a city that we would be considering or No?

Nalin Gupta:

Jaipur is a very small area here if you see, because they had called in for a few kilometers of line, which was elevated and one small package of Rs.400 crores which was for Underground, and we had also bid for those jobs, but these were the projects which had come before the start of the Delhi Metro Phase-3, where we were L2 in those projects, so people had been very aggressive into that jobs and they took the jobs, and after the projects which were awarded, like some Stations Jobs or one Underground Package which was a small job of Rs.400 crores we did not care to bid for it, because right now there is no scope left for Jaipur Metro. No major plans to go ahead with the Metro area right now, because it is not viable. Too early for Jaipur to have Metro, rather I should put it like this.

Vibhor Singhal:

So you mean to say that Jaipur Metro probably might not actually start execution for anybody in the next couple of...?

Nalin Gupta:

For the next two to three years I do not see any light of hope into Jaipur.

Vibhor Singhal:

But is there a lot of traction that we are seeing in different Metro Projects on different across the cities, not just for J Kumar but from the industry perspective, are a lot of city councils and state governments coming forward with the projects and are they conducting the DPRs and the studies on an active basis?



Nalin Gupta: You are totally correct here, because Nagpur, Pune, and Chandigarh, there are various cities which are again pushing hard for Metro, because as a whole it is a universally accepted funda that the government has to go in for mass transport system rather than going in for road transport or widening or stuff like that. That is the requirement and will be a requirement. Roads and Flyovers will not stop, but yes, they have to propagate and make it more popular as a metro system, because if you operate Metro in Delhi, you will be so happy to move, even after having Metro the congestion in roads is terrible, so if you have to move fast, you have to use Metro. So Metro as a whole like even Delhi Metro where they had made this 110 Kms in Phase-1 and 2 put together in the last 10 years, they have made 130 Kms addition in this Phase-3, because Metro basically moves with the philosophy of having more and more connectivity, because you can change from one line, take the second line or third line and go to any part of the city. That is the basic funda which has been very catchy and very effective mode of transport. So understanding that, Metro is being pushed in a very hard way, and all the state governments are trying to push it hard, and that is going to be a very big opportunity for all the Infrastructure companies into Metro segment.

Vibhor Singhal: Sir, you mentioned that we started one Rs.1535 crores L1 currently, right?

Nalin Gupta: Yes.

Vibhor Singhal: So that is included in our order book of Rs.4,728 crores, right?

Nalin Gupta: Rs.4,730 crores approx order book that I am mentioning, as in I would say order book of around Rs.2,850 crores plus Rs.350 crores that takes the toll to Rs.3200 crores which is the work order position, and the L1 would be the balance, so I should say close to Rs.1,700 crores.

Vibhor Singhal: In that you mentioned there were five contracts from one single body. Could you just repeat that?

Nalin Gupta: We have bagged five orders from Mumbai Municipal Corporation wherein they are asphalt Jobs, means ranging from Rs.100 crores, Rs.50 crores, 2 packages and another package of Rs.200 crores and Rs.160 crores, where we have bagged this order, 3 of them in standalone name and 2 in joint venture with some local contractor here, so that is how we have bagged 5 orders, basically in this Mumbai Municipal Corporation, there is a new technology, which has come up in the past 3 years, which is mechanized mastic system, like you have concrete roads, you have asphalt, third category is instead of over the asphalt, you lay a layer of around 25 to 40 mm



depending on the location which is of mastic, which is a high density bitumen and which is mixed in a batch mix plant and carried with the help of bitumen cookers, it is a similar type of machine like the transit mixers, which carries concrete, these are truck mixers which carries the bitumen, and each cooker is costing around a crore, and we have imported 4 from Germany, and all are operational right now.

Vibhor Singhal: So this technology also has a scope in other projects also that we are doing right now or those projects would be only when they are awarded?

Nalin Gupta: No, these mastic plants that we have installed, every Flyover we are supposed to lay mastic on the top.

Vibhor Singhal: So it would be used in all those Flyover Projects as well?

Nalin Gupta: Yes, today it is a highly time consuming activity, where we lay the bitumen but the mastic takes around 2 or 3 months, the same job will be done in 10 days.

Vibhor Singhal: So that is a large amount of time saving that we will accomplish because of this?

Nalin Gupta: Because this item being a very unique item, and having monopoly sort of condition as of now, if we buy it from outside, the cost is around like Rs.1700-1800 a square meter, and if I am doing the same thing, I can take it for less than Rs.1000.

Vibhor Singhal: But the additional cost would be actually include in the Re.1 crore per cooker that we are spending in, right?

Nalin Gupta: That is right, so basically the cost is not in the raw material, because whether you mix at site or whether you mix it at the factory, the raw material cost does not change, what changes is the technology cost of the machinery that is there, like the transit mixer which would be Re.1 crore each, so I have invested in that for this Road Jobs, which will be written off to a substantial size in the 5 jobs that I have bagged, and simultaneously I can do this value addition to my Flyover and other Road Jobs as well.

Vibhor Singhal: So that would help us basically maintain or quote even higher margins...?

Nalin Gupta: If not the margins, for the speed for sure.

Vibhor Singhal: When do we expect to start work on the Ahmedabad Metro?



Nalin Gupta: Ahmedabad Metro, already we had a kickoff meeting, and the timeline has already been started, so we should see a very quick start in the job within a month's time now, started the mobilization.

Vibhor Singhal: You mentioned that we are looking at a top line of around basically Rs.1350-1400 crores in this year and around Rs.1600 crores for the next year. If I look at Rs.1400 crores and Rs.1600 crores there is probably a growth of around 14-15% you are looking at as compared to the strong (+25%) growth that we have been doing over the past three quarters. I know minor one but, a minor slow down you expect in this?

Nalin Gupta: We try to be very pessimistic when we give a figure, and we would like to state that giving a rosy picture, then not performing is not the style of J Kumar. It is almost like six to seven years since J Kumar has got listed and if you see the performance of J Kumar, we have been always giving better results as to what we say. And one, importantly, what is required to be appreciated is that as your base increases your top line percentage you cannot maintain the same.

Moderator: Thank you. The next question is from the line of Amit Anvani from K.C. Securities. Please go ahead.

Amit Anvani: If you could just highlight a bit about the order addition target for FY16 which you might have made or any outlook for that?

Nalin Gupta: We are expecting an order inflow of close to around Rs.4000 to 5000 crores for the coming financial year, because there are a lot of opportunities on the way, including Mumbai Metro if you talk of that itself, should be to the tune of Rs.2,000 crores that we are surely expecting, and like the other various Metros and Flyover Jobs from Delhi, from Gujarat, and like the various Road Jobs, even Mumbai Municipal Corporation is adding a lot of Road Works, like I would say in 9 to 10 months time, Mumbai Municipal Corporation has brought in projects to the tune of Rs.5,000 crores, again Mumbai Municipal Corporation is about to get through a project of Rs.10,000 crores which is for the Coastal Roads, which is on a fast track mode, and the CM has already given a go ahead for it, and that is basically replacement for the ceiling, and entire connectivity to the North-South zone. So that is again one big opportunity which is on the way, plus the Development of the City Roads, where like more than Rs.5,000 crores jobs has already been floated by Mumbai Municipal, and we have also bagged a substantial order from that, so it is more than around Rs.700 to Rs.800 crores orders that we have bagged out of this Rs.5000 crores.

Amit Anvani: So you are expecting around Rs.4000-5000 crores series orders next financial year?



- Nalin Gupta:** That is right.
- Amit Anvani:** What would be the CAPEX because I think if that much is the intake which we are expecting, the order book, will...?
- Nalin Gupta:** It will double up almost.
- Amit Anvani:** I think it is around 2.53x now, so it will go to almost 5x or something. So have you estimated anything about the CAPEX which will be required to fund these projects or something of that sort?
- Nalin Gupta:** Amit, this is a very dicey sort of question. As I mentioned that J Kumar does not intend to take up these jobs from different states, but yes, when the size of the order goes up, the requirement for CAPEX has to go up for sure, and more than CAPEX, also equally important is working capital, and when you are bidding for such size jobs, you basically need to have Earnest Money Deposit, again that is one of the big factors, where 1% of the contract value we are just supposed to pay as Earnest Money, so that surely calls for some demand for money, but as of now I would say that CAPEX plans are not really great that we are expecting currently because Delhi Metro we are already having a full set up of Underground Metro, and that whole establishment would be shifted, it is a very smooth transition that we will be having from Delhi to Mumbai Metro, because all my tunnel boring machines or my shuttering, stagings, and the structural steels to the tune of more than 10,000 tons, they all would be getting freed, it is like a chain effect, so slowly and gradually these materials are getting free from Delhi and which will move to Mumbai. So CAPEX requirement for a job like Mumbai Metro one project would not really require me to go in for a substantial CAPEX.
- Amit Anvani:** If your order book goes to 5-5.5, I think that is again too optimistic, so I think it will demand more project execution every financial year now going ahead, so that is why I came to CAPEX, just to understand whether the company is actually expanding on that operations front to execute these sort of projects? I just wanted one clarification of a sort, I just missed out the outlook for FY16, if you could talk about, and Point #2 is are there any expectations for margins to improve in '16-17 and as you mentioned FY16 you are expecting around Rs.1600 crores, so I think during that particular financial year your orders considering intake, the order book will be I think more than Rs.7,000 crores. What we are expecting for FY17 – will the bigger amount of execution will take place between '16-17 and numbers will start reflecting from FY17 onwards or how is it, if you could just post a clarity on this?



- Nalin Gupta:** Amit I would say for FY17 I think we should be close to Rs.2200 crores or Rs.2500 crores that we are investing, if everything goes as what we are expecting, it should be Rs.7,800 crores, execution tenure being three years on an average 30% top line would take the top line to around Rs.2100 to 2200 crores, that is a simple calculation that I am giving this figure with.
- Amit Anvani:** Just out of curiosity, are you in a requirement of funds for all these things in next 12-months?
- Nalin Gupta:** There is a requirement for debt for sure, because we try to avoid as far as possible going into the equity market, because that is the most expensive money that we find, the need if it comes in, it basically calls for joint ventures, if you want to go in for individual bids, like I would say three years back when J Kumar was operating, we were having a lot of joint ventures, project size even Rs.100 crores, but now if you look at the jobs, like even what I should say the various Flyovers that we are bagging, we are bagging it in the standalone name of J Kumar most of them. So if you want to bag orders in the name of standalone, or if you are trying to focus on projects of a bigger magnitude even like say Rs.2000 or Rs.3000 crores jobs when you are bidding, the JV partners' criterias also looked at. So as of now, immediately I do not intend any such thing like that, but over the period if the demand comes, we will surely get back to you, right now there are no immediate plans.
- Amit Anvani:** So the projects which you talked about, order intake which is going to come, is it standalone or a few of them you are doing on a JV and...?
- Nalin Gupta:** Amit, I would like to mention that joint ventures are done due to two reasons – one, due to a requirement of your own self, the company requires a joint venture to qualify for a particular bid, and in other cases it happens due to maintaining some harmony relations with the other contractors, I can put it the other way, where the person where you feel, that he can be a competitor to you, so if you make him a partner, it becomes more easy.
- Amit Anvani:** I wanted to understand economic interest of the company in that project, that is why...?
- Nalin Gupta:** That is the reason.
- Moderator:** Thank you. The next question is from the line of Nitin Arora from Emkay Global. Please go ahead.
- Nitin Arora:** Sir, can you give me the debt numbers right now?



- Nalin Gupta:** The net number is Rs.555 crores.
- Nitin Arora:** Can you give us the net working capital?
- Nalin Gupta:** Arvind is available, you can have a personal call with him to have the more precise numbers.
- Nitin Arora:** One confusion I had is, at the starting of the call you said we are L1 for orders worth Rs.1529 crores, I think you just said it is Rs.1700 crores then?
- Nalin Gupta:** No-no, I remember after answering I realized, I did a small mistake; the L1 position is Rs.1529 crores, and the order book that we have bagged, work order for this Q3 is Rs.350 crores, so that total is coming to around Rs.1882 crores, and the existing order book is Rs.2846 crores, add Rs.350 crores to that, that is Rs.2850 crores plus Rs.350 crores, work order position it is Rs.3200 crores as of end of January I would say, Rs.3200 crores plus Rs.1530 crores, so that takes it to Rs.4700 crores.
- Nitin Arora:** This Rs.1530 crores is excluding the JV part, this is what we will execute?
- Nalin Gupta:** Whatever I am mentioning is the part of J Kumar, and very soon maybe we will give you some good news for another some couple of hundreds.
- Nitin Arora:** On the NHAI projects, the EPC cash contracts, are we bidding on those projects?
- Nalin Gupta:** The NHAI, yes, we look at those jobs, still some people are trying to be very, very competitive in that, even companies like L&T and NCC, so we believe that when we are having substantial jobs, we do not believe in having a wide list of clientages and geographical area as far as possible, because we are getting order book what we want, so we believe in as far as possible sticking to the areas where already we are operating.
- Nitin Arora:** On let us say we win a order of Rs.2,000 crores from Mumbai Metro, any calculation that what will be my working capital only for this particular tender to execute it?
- Nalin Gupta:** Mumbai Metro on an average like 10% of the money is required, 20% to 25% requirement is there for the capital amount, out of which 15% would be in the form of non-fund based, and 10% would be in the form of fund-based, so Rs.200 crores is what we should be expecting as the requirement for working capital, and again we get mobilization advances from this, like in Ahmedabad Metro, we will be getting another Rs.27 crores very soon, which will be interest-free, within a month's time or



so we will have that money in our pocket. So that is how we expect around Rs.200 crores for working capital.

Moderator: Thank you. The next question is from the line of Charanjit Singh from Axis. Please go ahead.

Charanjit Singh: Just a follow up question on this Mumbai Metro Project, how is generally the revenue recognition cycle for project if we won at least one package which we are targeting?

Nalin Gupta: It will be AS7.

Charanjit Singh: But how is the phasing, it is like maybe we book 15-20% in the first year or how does generally the revenue flow through?

Arvind Gupta: Charanjit, this is for the real estate actually, and for our point of view, this is AS7 we employ this one, once RA Bill raised and certified by the competitive authority, we will book in the revenue.

Charanjit Singh: But what is the kind of execution which we are looking maybe in the first year itself like we would have seen in Delhi Metro the kind of pace we have picked up, so for Mumbai Metro, what could be expected?

Nalin Gupta: Charanjit, in the first month, you really do not see anything real great happening, because in the initial two to three months time minimum for a sizable project, they are basically making the establishment, mobilizing, designing, survey, so that areas you really do not see any substantial contribution for that matter.

Charanjit Singh: Now, we have acquired TBMs and we have started executing the Delhi Metro Project, so how have you seen the advantages of owning your own TBM Machines versus a lease or rental model which a lot of other contractors are following in this space?

Nalin Gupta: Charanjit, well this point is a very 'if' and 'but' item, but I would like to mention that none of the projects in an infra job has surprises stored for you, there are always surprises like delays or land acquisition, or utilities, or stuff like that happening. When you own an equipment, these sort of delays or dependency on others where the person would say, you had told me for 10 months, you had asked TBM for 12 months, but now it is 20 months, so I have already committed to somebody else, so I need to pull out this TBM from you, or you need to pay me the damages for the loss that I am going to make there. So such types of issues are not there. So basically if



you own an equipment, nothing like that. But basically what is important is the long term vision that the company has, like at J Kumar, we were very confident of going into the Metro segment in a big way. So it was a well planned strategy that J Kumar would take Delhi Metro and then follow that by we would try to hit the other Metro Jobs which are going to come up very soon. So that worked very well with us and that strategy is helping us because once we complete the Delhi Metro Job, immediately it would be a very smooth transition for that machines to come to Mumbai, which would be an adequate time, and we would be in a position to start this job much better than other competitors who would be bagging this order because my TBMs are already in place. We at J Kumar will look at a very long-term vision. You may have some hit on your margins even when you work for the first project, but in a long term you can encash them in a much better way. So that is how we are focused and that is going to help us in Mumbai Metro to bag those orders as well.

Moderator: Thank you. The next question from the line of Vibhor Singhal from PhillipCapital, please go ahead.

Vibhor Singhal: Just a follow-up question; could you just give a bit of color on the other projects which are coming up from the City of Mumbai apart from Metro Projects like maybe the Trans Harbour Link or the Coastal Road as you mentioned or maybe the Bandra-Worli Sea Link. Is there any traction on them and can we expect some activity in these projects over the next 2-3 months?

Nalin Gupta: There is a substantial opportunity which is in store for all the Infra contractors, so I would just say like the Coastal Roads or the Mumbai Trans Harbour Link, Thana Creek Bridge, Kalwa Creek Bridge, there are so many Flyovers, Roads, and Widening, Strengthening, even your Elevated Corridor from Churchgate section for the Western Line, again into consideration and is taking off quite a good push, with the new government trying to push it hard, and center and state being both supported by BJP, so there will be really good opportunity for all the contractors, not only J Kumar, only thing what is required would be the companies having execution skills and not having dependency on the subcontractors would have the edge to bag orders and to execute them. So here I would say that I am proud to mention that J Kumar is one of the few companies who work everything in-house and we have a backward integration, let it be crushers, let it be RMC plants, bitumen plants, mastic, road equipments, concrete equipments, prestressing, launchers, concrete pavers, bitumen pavers, so everything is in-house, so we do not have a dependency. So the optimum utilization of plant and machinery which also indirectly helps you to achieve better margins and speed would be there with J Kumar. So only the execution skills would be the most governing factor I would say for the time to come.



Moderator: Thank you. The next question from the line of Subramaniam Yadav from Subhkam. Please go ahead.

Subramaniam Yadav: Just a technical question; when you say that when you get the TBM Machines from Delhi to Mumbai, but the terrain would be different in Delhi and in Mumbai. So does it involve any CAPEX in Mumbai for that?

Nalin Gupta: As you mentioned rightly the machines are of different kind, machines are called as soil type, some machines are like rock type, and the other are mixed type. So, as we mentioned that J Kumar has a long-term vision, and at J Kumar, we believe that as a philosophy to enter into one area and stay there for quite a good time, and tunneling being executed by only a couple of companies in the entire country, and to name them it would be J Kumar, Pratibha, and HCC, other than that there no construction companies in India who is doing tunneling on its own, even L&T is not having a single tunnel boring machine to operate in India, they are having a partnership with SUCG, which is again a China-based company, and they are the active partners in this business who get this machine and does the job, and take it back, but whereas in J Kumar we are executing these machines and owning them, and these machines that we have bought we were expecting Mumbai Metro as I had told you earlier also, being very strong in Maharashtra, we know what is happening. So we had got these machines of mixed type. In Delhi also we have rocks in our section. So we had got all the four machines are mixed type, which can cut in soil and which can also cut in rock to the area of around 450 to 500 MPA. So that would be helping us out of the four machines, around 2 machines are very strong machines in rock, so 2 will be easily usable, the 3rd machine we will have to target a zone, which is having like a softer rock quality, and one of the machines will have to keep it back mainly. So that is how we have planned for this. So absolutely it is not a worry for us to bag this order and execute the work with our own TBMs.

Subramaniam Yadav: Sir, in terms of converting that soft cutter into kind of a rock cutter, what would be the CAPEX then involved in that, is the blade kind of a changeable or...?

Nalin Gupta: On an average, it should be around 25% to 30% of the machine cost, is what we should be incurring to converting into a rock type, and basically it is also a time factor, that is going to go into it, but around 30% of the cost of the machine you have to consider to convert it in to rock type, provided it is a mixed type, if it is soil it would be altogether a different ballgame.

Manish Valecha: We are done with the questions, we will just close the call right now. Would you have some closing comments, sir?



Nalin Gupta:

I would just like to say, firstly, I would like to thank everyone from the entire J Kumar team for giving us the opportunity to give our views and present our Q3 Results. And we are very optimistic about this whole infra business, and the sector where J Kumar is operating is a very highly technical and very unique, a very creamy area, where Flyovers and the Metro Jobs which J Kumar is executing with the latest available technology, and the in-house machinery and manpower, we have an edge over the other companies, and having the advantage of being a mid-cap company we always have to compete with all the large cap companies having bigger overheads and having subcontracting cost and hiring equipment cost, where J Kumar has a better margin due to all these factors. So, we really thank everyone for having the faith in J Kumar, and we request you to maintain the same. And it is also a matter of pride for us to mention that J Kumar right now has crossed the all-time high share price also, which of course I came to know today morning during the board meeting, because for us what is more important is bagging the order and making margins. But yes, because of you being from the finance area, I thought I should just share this as a matter of information which I got today morning. So, I once again thank everyone and thanks for the faith that you have in J Kumar and please continue to do the same. Thanks a lot.

Moderator:

Thank you very much. Ladies and Gentlemen, on behalf of Anand Rathi that concludes this conference call. Thank you for joining us and you may now disconnect your lines.